

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street
Sacramento, California 95814

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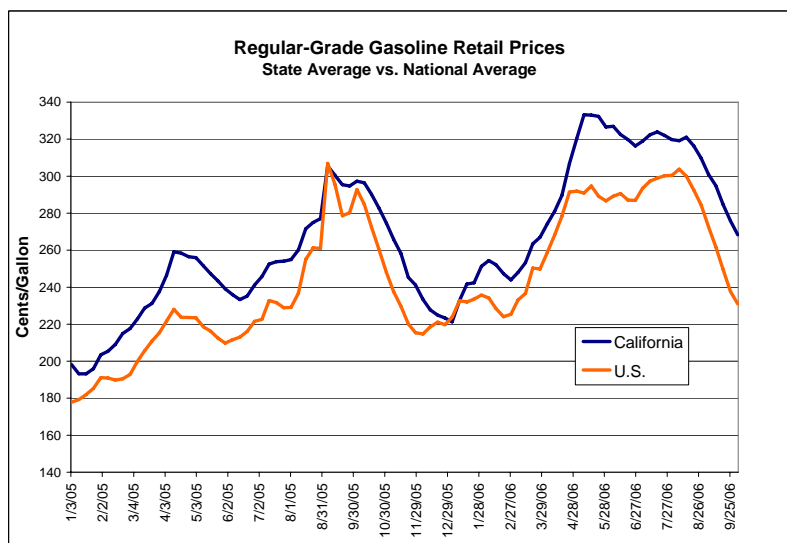
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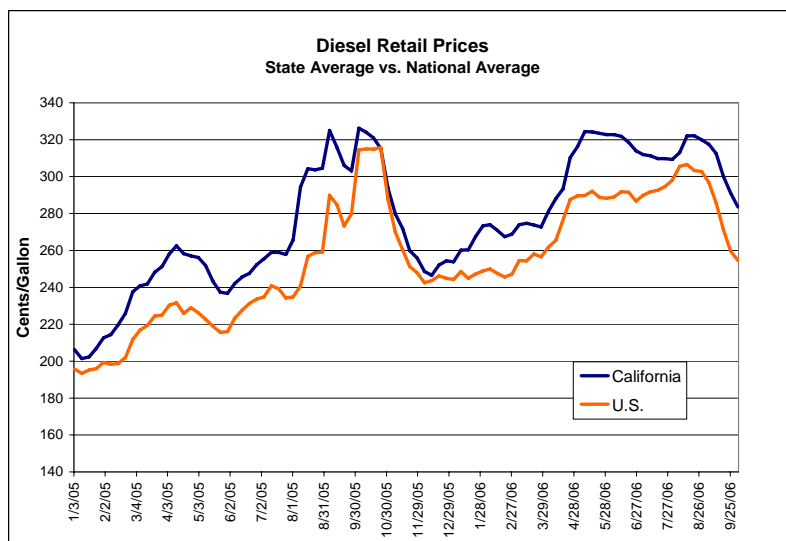
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**Petroleum Watch****October 6, 2006*****Retail Gasoline and Diesel Prices on October 2***

- For the seventh consecutive week, California gasoline prices have fallen. The average statewide **retail price for regular-grade gasoline** dropped 8 cents to \$2.68 per gallon, 65 cents less than the record high of \$3.33 on May 8.¹
- The difference between California and U.S. retail gasoline prices declined 1 cent to 37 cents per gallon. U.S. prices dropped to \$2.31 per gallon, 7 cents less than last week and an uninterrupted decline of 73 cents since August 7.



- The average California **retail diesel price** fell by 7.5 cents from the previous week to \$2.84 per gallon. At the same time, the U.S. retail diesel price fell to \$2.55 per gallon, reducing the difference between California and U.S. prices to 29 cents per gallon.

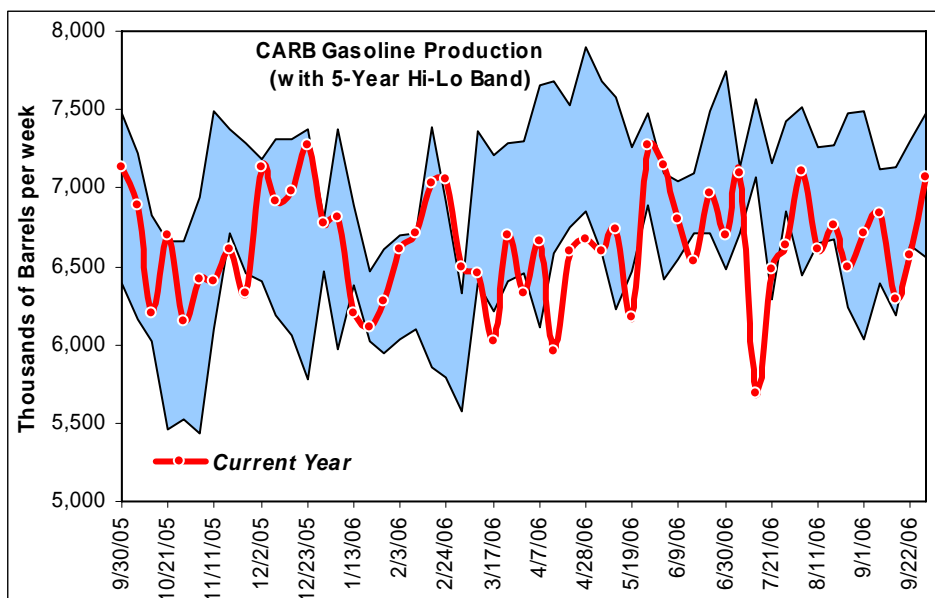


Wholesale Gasoline and Diesel Prices on October 3

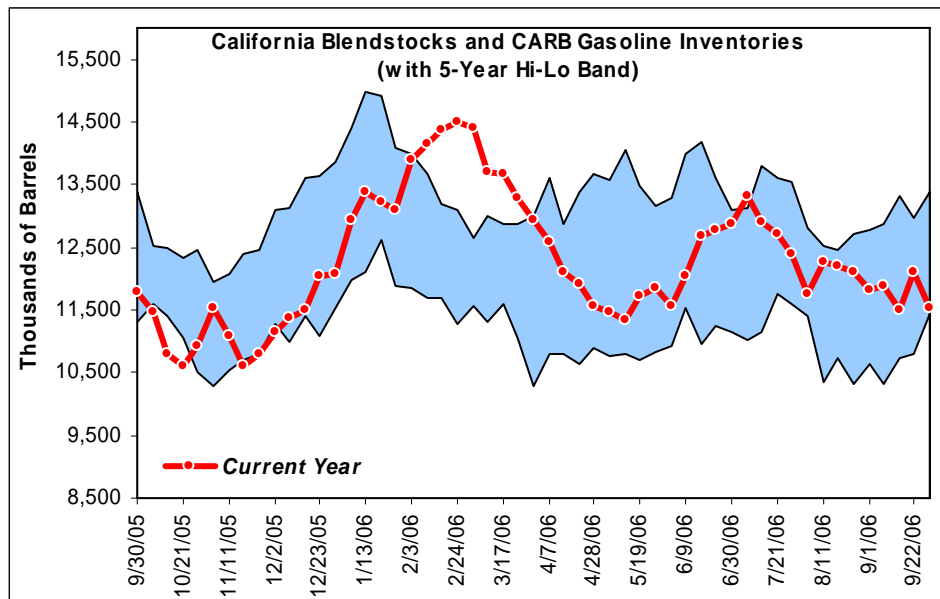
- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) increased by one cent over the last week to \$1.69. Prices are now \$1.28 lower than the record high of \$2.97 on May 2 and only 13 cents more than the 2006 low of \$1.56 on February 14. Relatively low crude oil prices combined with lower national fuel prices due to growing product inventories have been the main causes of declining California gasoline prices.
- Spot prices for RBOB in Los Angeles are 20 cents higher than New York Harbor and 14 cents more than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** ended at \$1.79 per gallon this week, unchanged from September 26. Prices are just 5 cents more than the 2006 low of \$1.74 on February 15, and 89 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 9 cents more than New York Harbor and 11 cents higher than the Gulf Coast, compared to 9 cents and 5 cents more, respectively, on September 26.
- California gasoline ended the reporting week 11 cents less than California diesel, unchanged from September 26.
- The Energy Information Administration (EIA) weekly assessment for September 29 reports that **U.S. gasoline demand** decreased 2.2 percent from the previous week, while distillate demand increased by 1.9 percent. The four-week average demand for gasoline is 9.24 million barrels per day, 5.2 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.14 million barrels per day, 5.8 percent more than last year. However, last year's U.S. fuel demand levels were unusually low because of the impacts of Hurricane Katrina.

Refinery Production and Inventories

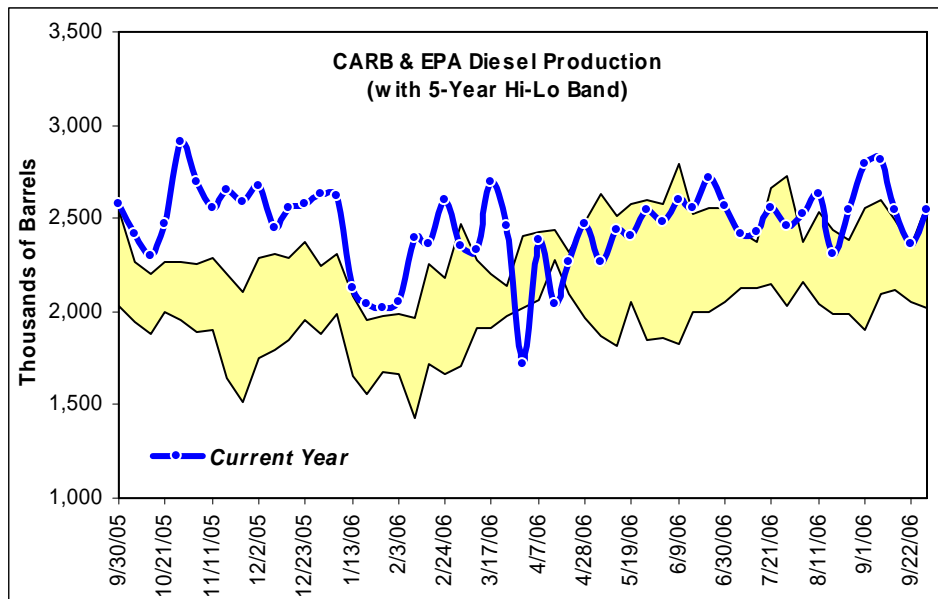
- **Reformulated gasoline production** in California for the week ending September 29 increased 7.7 percent from the previous week to 7.07 million barrels. Production levels rose sharply to the middle of the five-year range.ⁱⁱ



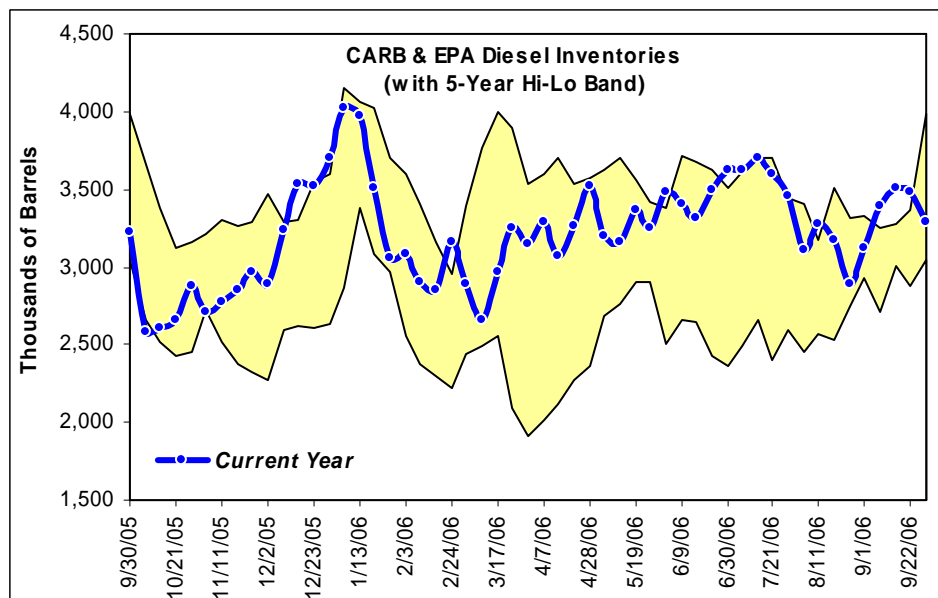
- California reformulated gasoline inventories declined by 7.2 percent and gasoline blendstock inventories fell by 3 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **decreased by 4.8 percent** to 11.54 million barrels and declined to the lower end of the five-year range.
- U.S. gasoline inventories increased 1.2 million barrels to 215.1 million barrels as of September 29. Stocks rose in the East Coast but fell in the Gulf Coast and West Coast regions.
- Alon USA has completed its purchase of the 40,000 barrel-per-day Edgington refinery in Long Beach, following Federal Trade Commission approval of the deal. This purchase will complement the company's acquisition of the 54,000 barrel-per-day Paramount refinery earlier this year. The two facilities will be operated as a single integrated refinery.



- California low-sulfur **diesel production** during the week ending September 29, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, increased by 7.7 percent from the previous week to 2.54 million barrels. Output is 1.4 percent lower than year-ago levels but is still at the upper end of the five-year range.

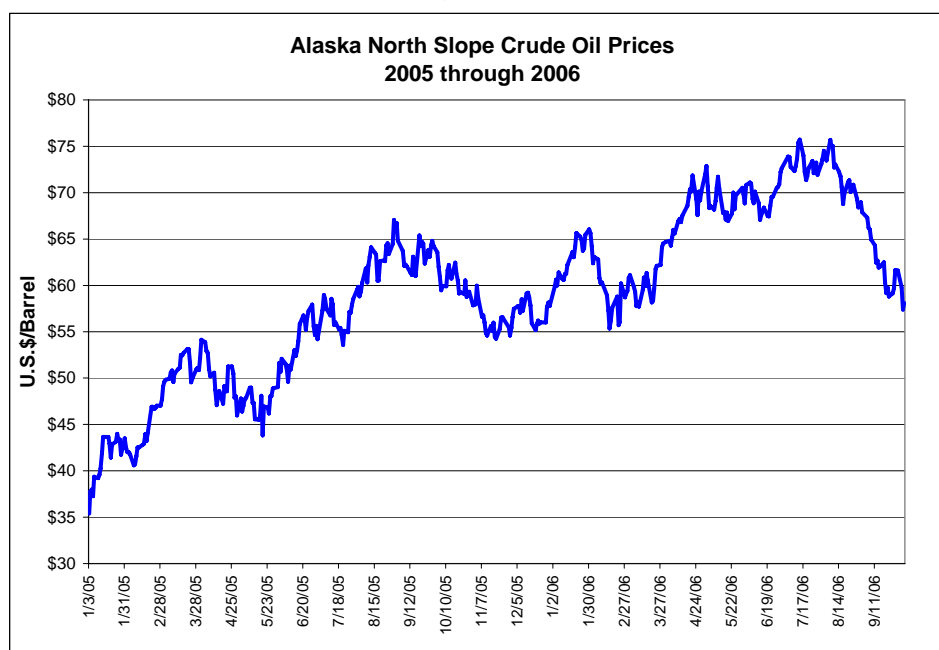


- Combined low-sulfur **diesel inventories** in California declined by 5.6 percent from the previous week to 3.29 million barrels, falling toward the middle of the five-year range. Total U.S. distillate inventories as of September 29 rose slightly to 151.5 million barrels, 178,000 barrels more than the previous week and a 32 percent increase since April 28. The East Coast and Midwest regions reported stock increases, while the Gulf Coast reported a sharp decrease and the West Coast a slight decline.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, fell back below \$60 per barrel this week. Conflicting statements by several OPEC oil ministers created uncertainty about whether the cartel would actually cut production soon in response to declining oil prices. Spokespersons for Nigeria and Venezuela stated that their countries would be voluntarily cutting output by small amounts, although both nations are already producing below quota. Other nations' representatives, however, denied that a deal had been worked out by the cartel. In other news, output was shut down for several days at the Lisburne oil field on the Alaska North Slope, but production had returned by October 2. Iraqi oil exports from the northern pipeline route through Ceyhan, Turkey, dried up after last week's surge due to low stocks in storage at the port. In Nigeria, 25 oil workers were kidnapped following a raid on an offshore oil field supply convoy in which 5 soldiers were killed. These oil workers were subsequently released. In a second raid, four workers were kidnapped in an attack on an ExxonMobil compound, although oil production was not affected. Also this week, the U.S. Department of Energy announced that it would defer purchasing oil for the Strategic Petroleum Reserve to replace supplies sold after Hurricane Katrina. After dropping to \$57.38 per barrel on October 3, ANS prices rebounded to \$58.11 the next day, despite another relatively large U.S. crude oil inventory build.ⁱⁱⁱ



- U.S. commercial crude oil inventories as of September 29 increased by 3.4 million barrels to 328.1 million barrels. Stocks are 22.7 million barrels higher than last year and 39.5 million higher than the five-year average. California crude oil stocks, however, fell nearly 1 percent from the previous week to 14.42 million barrels.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ ANS crude oil prices are from *The Wall Street Journal*